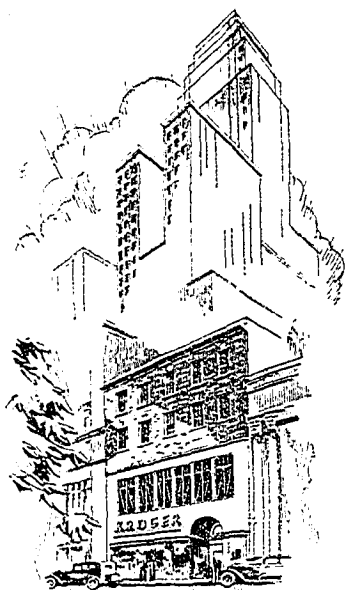
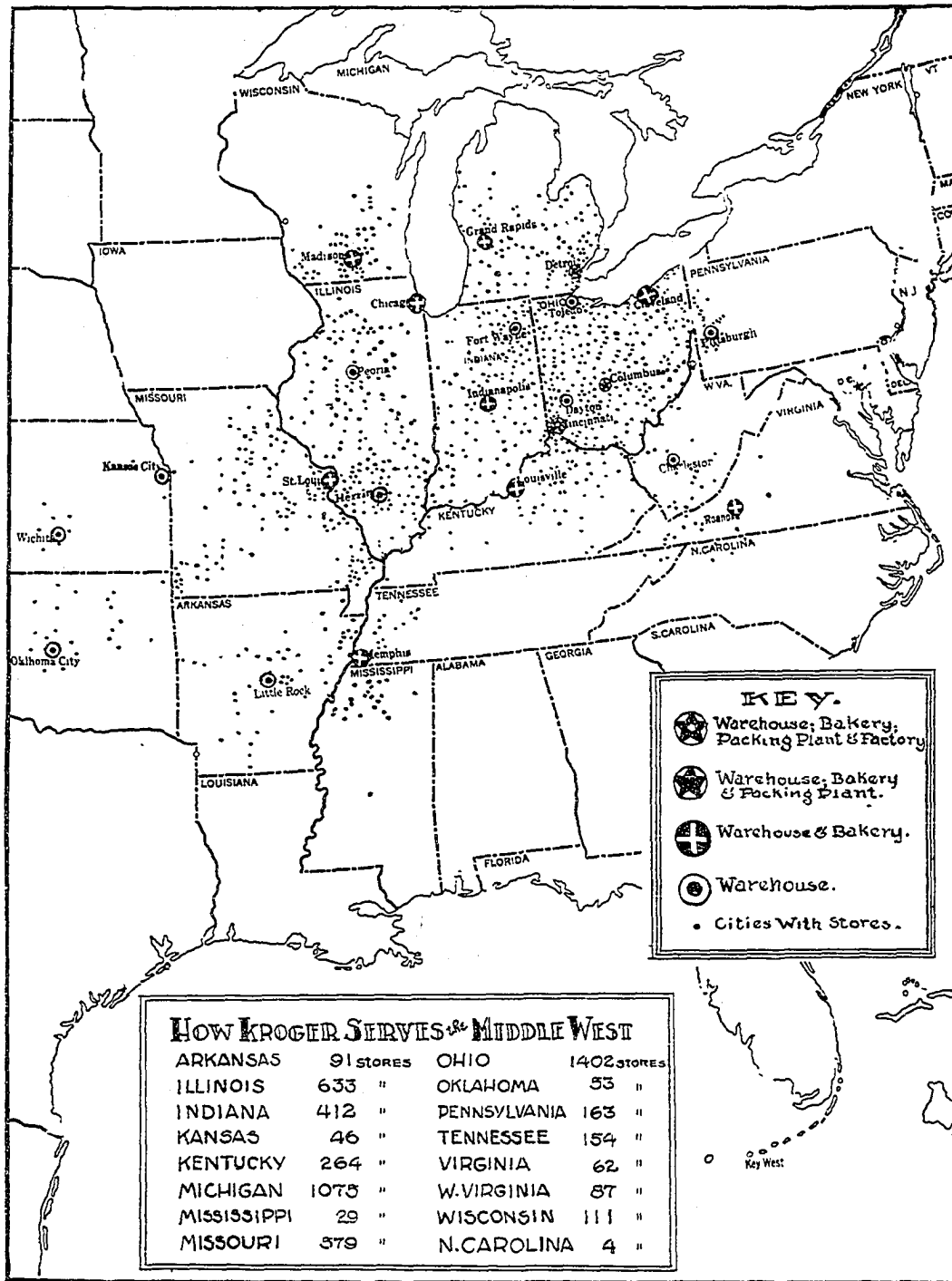


THE KROGER GROCERY & BAKING COMPANY

CINCINNATI, OHIO



Annual Report
for year ending January 3, 1931 -



The Kroger Grocery & Baking Company

Executive Offices: 35 East Seventh Street

CINCINNATI, OHIO

OFFICERS

Albert H. Morrill, *President and General Manager*

John B. Bonham, *Vice-President*

L. J. Huerkamp, *Secretary*

Charles M. Robertson, *Vice-Pres. and Treas.*

T. S. Burns, *Ass't Secretary*

Clarence O. Sherrill, *Vice-President*

F. M. Grieme, *Ass't Treasurer*

DIRECTORS

John B. Bonham, Cincinnati

*Vice-President, The Kroger Grocery & Baking Co.
President, The Piggly Wiggly Corporation*

R. G. Clark, Cincinnati

General District Manager, The Kroger Grocery & Baking Co.

George D. Crabbs, Cincinnati

President, The Philip Carey Manufacturing Co.

Charles W. Dupuis, Cincinnati

President, The Central Trust Co.

John M. Hancock, New York

Partner, Lehman Brothers

L. J. Huerkamp, Cincinnati

Secretary, The Kroger Grocery & Baking Co.

B. H. Kroger, Cincinnati

Chairman of Board, The Provident Savings Bank & Trust Co.

M. McClatchey, Cincinnati

Assistant General District Manager, The Kroger Grocery & Baking Co.

Albert H. Morrill, Cincinnati

*President, The Kroger Grocery & Baking Co.
Chairman of Board, The Piggly Wiggly Corporation*

Charles M. Robertson, Cincinnati

Vice-President and Treasurer, The Kroger Grocery & Baking Co.

John R. Roney, Chicago

Vice-President, The Consumers Sanitary Coffee & Butter Stores

Clarence O. Sherrill, Cincinnati

Vice-President, The Kroger Grocery & Baking Co.

Paul Sims, New York

Vice-President, Bankers Company

*To the Shareholders of**The Kroger Grocery and Baking Company:*

This report is more in detail than is customary because of the unusual conditions to which your Company has been subjected during 1930. It is intended to be something more than a bare statement of financial operations, and to lodge with the shareholders a general idea of the Company, its operations and the industry of which it is a part.

***The Chain Store
Industry and
Your Company's
Position in It.***

The Chain Store Industry is engaged fundamentally and principally in merchandising, that is, in buying and selling. Its basic principle is to buy in large quantities and to distribute its purchases to the consumer with as small a loss of time, with as low a mark-up and at as low a price and as high a quality as is consistent with a reasonable profit. In order to apply this principle to profitable operations, the Chain must buy as close to the source as possible, whether this source be factory or farmer. In order to move closer to the source, in some instances, the Industry departs from its fundamental purpose of merchandising and manufactures its own products. By operating efficiently from this fundamental principle, the Chain accomplishes a quick movement from producer to consumer, a rapid turn-over in merchandise it has bought and delivers it to its customers generally at a price below and at a standard of quality above that which can be fixed by the retailer who has bought his merchandise after it has passed through various hands and been subjected to various mark-ups.

Production in the United States has developed to a point of efficiency and low cost never before equalled. Methods of distribution of the merchandise thus produced have failed to keep pace with improved manufacturing methods. The difficult problem thus created has found no solution except the theory of distribution developed by the Chains.

A decade ago the Chain Store Industry as it exists today was unknown. Through this period it developed by leaps and bounds until in 1931 it appears as the outstanding development of recent years in the economic life of the nation. During and because of this period of rapid growth, it has suffered from lack of organization and failure to apply to its operations well-thought-out and long term policies.

These faults were not apparent until some two years ago. At that time general and competitive conditions in the grocery chain field began to change rapidly. This change is still continuing. It is only by radical correction of these faults that the grocery chain can maintain and improve its condition.

Today the Industry as a whole is awakening to its deficiencies of the past, the unsoundness of a business built solely on price appeal, and to the evils of competition which often concerned itself more with outwitting a competitor than with meeting the needs of the consumer and thereby insuring a reasonable, consistent profit for its shareholders, month after month, and year after year.

The Industry is sound in principle and is of great economic value to the body politic as a whole, and therefore has great vitality. It has successfully weathered the first serious period of depression since its major development during which it has maintained its volume of sales, and equalled or exceeded its record of previous years in the amount of wages paid.

Your Company is engaged in the buying and selling of a class of merchandise the most fundamentally necessary of all of those handled by the Chain Store Industry. In volume of sales and number of stores, it ranks second in the nation. It is well financed, and no additional financing or issuance of stock is contemplated during 1931. The territory which it services is comparatively compact and is inhabited by people who, year in and year out, are as prosperous as any similar sized group in the nation.

What is reported under this heading pertains to the last nine months of 1930.

Operating and

Organization

Development

Personnel

The operations of your Company cannot be mechanized. It is from first to last dependent on the character and morale of its personnel, to a degree unknown in a manufacturing operation. Therefore, immediate and vigorous attention was given to the personnel beginning April 1, 1930.

During the last nine months the official personnel has been strengthened by the addition of Mr. Charles M. Robertson, Vice-President and Treasurer, assigned to the Department of Finance and Accounting; Colonel C. O. Sherrill, Vice-President, assigned to the Department of Engineering, which includes plant layout, manufacturing methods and processes, automotive equipment, design and use, and research pertaining thereto, and Mr. Alvin E. Dodd, Assistant to the President, who came to us with a wide merchandising experience. Mr. J. B. Bonham, Vice-President, assigned to Merchandising Operations, has added the last nine months to his previous many and effective years with your Company.

Direct personal contact, between different officials, between officials and executives and employees, and between General Office and Branch Organizations was considered of prime importance. This contact has been initiated and developed by a system of conferences between the various groups, both at General Office and in the field. This policy will be continued and improved.

Training courses for many classes of executives and employees have been initiated and put into operation. These are now being perfected and extended. They include a system of temporary transfer by which executives are enabled to familiarize themselves with all phases of the business, a course of intensive training for present and prospective supervisors and store managers, and a meat cutters' training school of sixteen weeks duration, where standards of meat cutting and salesmanship are taught under skilled instruction. The first class of the meat training school graduated on January 27th, and of twelve to whom were awarded diplomas, five were college graduates.

Store Expansion

A careful survey indicated a duplication of service by many of our smaller stores due, in large part, to acquisition of other chains in recent years. Those unnecessary to our purposes have been closed or combined with larger stores. This to a large degree accounts for the difference in the number of our stores, 5575 on December 31, 1929, and the number of our stores, 5165 on January 3, 1931, a decrease of 410 stores or 7.35 per cent of the total number.

However, numbers of stores is misleading because of the variations in size, localities, lines handled, margin of profits on these lines and the consequent profit

on each store operation. One complete store may make more profit than a number of smaller stores.

Plans for expansion by an orderly process of opening new stores in desirable territory will be completed shortly and will be based on exhaustive research work as to customer possibilities and population trends, taken in connection with our existing branch facilities.

Stores have been remodelled during the year to the number of 843, the remodelling being accomplished almost entirely by the rebuilding of old equipment by our own departments and by the factory located at Jackson, Tennessee, of the Piggly Wiggly Corporation, owned by your Company. A program for extensive similar remodelling of stores is planned for 1931.

On June 6, 1930, in Cincinnati, Ohio, was opened a new type of complete food market, with an artistic eye appeal and decorative scheme, both interior and exterior. Photographs of this store are attached to this report. It was an instant success and has produced a fair return on the investment, and raised the standing of Kroger in the eyes of the consuming public. Careful survey of other large urban centers, in which we operate, has enabled us to formulate a policy for the establishment of similar large stores in these centers.

Under an arrangement with Sears, Roebuck & Company, grocery departments, owned and operated by your Company, have been established in the Sears stores in Chicago, Cincinnati and Minneapolis, and have proved their value. When research, now under way, is completed, it is possible that our operations in Sears Stores may be extended to other centers.

Sales

In 1930, including two operating days in 1931, sales amounted to \$267,086,028, as compared to \$286,611,214 for the year 1929, a decrease of 6.81%. Reflecting on this decrease is the decrease in number of stores referred to above. Comparison of tonnage figures of sales are not available, but it is apparent by a comparison between our dollar sales and the decrease in price of food commodities generally that our tonnage sales were larger in 1930 than in 1929.

Decentralization

Centralization of operations was abandoned early in April of 1930. On April 14th, the first branch, Louisville, was decentralized, and on December 1st, the last of our twenty-three branches was decentralized. Under this policy, responsibility is placed upon the Branch Manager for successful operations, including small local purchasing, major buying being retained at the general office. Duplication in reports and communications have thus been materially reduced, with consequent saving. A localization of our operations has made for a community of interest between your Company and the people with which it deals.

Armored Car Service

Cash losses from hold-up robberies of our stores reached serious proportions some months ago. The hold-ups constitute a great mental hazard to our customers and store personnel. A contract was recently awarded, under which a specially

designed type of safe will be installed, within the next few months, in all our stores, and collections made in the majority of cases by armored car service. The arrangement under which these safes are purchased and the service rendered will make the combined annual cost materially less than the annual cash loss caused by such robberies in the past.

Organization

As the result of many months of study, there has been established an organization plan, with the activities of the Company grouped in appropriate departments, under definite lines of responsibility and authority, which have been totally lacking in the past. This reorganization has been completed and all activities are now being carried on under it with marked increase of efficiency.

Active Subsidiaries

Piggly Wiggly Corporation, owner of trade-marks, patents, labels and merchandising methods, which licenses various operators to use these methods, receiving a royalty from these operators, based on gross sales, is almost wholly owned by your Company, $1\frac{1}{2}\%$ of the outstanding stock being in the hands of the public.

On January 3, 1931, there were in operation, 2770 stores in different States and foreign countries, all using the Piggly Wiggly name, patents, labels and the self-service system of and supervised by the Piggly Wiggly Corporation. Due to a drop in the sales of the operators, royalties paid to the Corporation were somewhat less in 1930 than in 1929. Upon return to normal economic conditions the royalties should materially increase. The service rendered by this Corporation to the operators has been materially increased and improved during 1930, and the entire facilities of the Kroger organization have been put at the operators' disposal. A program of aggressive development among the operators and in unallotted territory has been mapped out and is under way for 1931.

A *Produce Buying Corporation*, with offices in the principal produce centers was organized on November 22, 1930, and is operating successfully. By this means your Company is able to purchase and sell a highly perishable and profitable class of merchandise under the most advantageous circumstances.

Kroger Food Foundation

Extensive research during the past seven months indicated conclusively that price appeal alone would not in the future give to Kroger the good-will and volume to which it is entitled. It appeared clearly that Kroger must be something other than just another grocery chain. To meet this necessity there has been established and is now being developed what is known as the Kroger Food Foundation. It is headed by Dr. Andrew H. Ryan, a food scientist of national reputation. Under his direction, there will be developed standards of food quality and content, to which Kroger merchandise must conform, standards and methods of home dietetics, and scientific and nutritive research, which will be of great benefit to Kroger customers and to the Food Industry as a whole. The Foundation is the first institution of its kind in the grocery chain industry and has met with general approval. It will be maintained by the expenditure of an amount equal, approximately, to the return on one million dollars.

Any increased expenditure due to the operation of the Foundation, should be

more than offset by increased sales and profits when our consumers have become familiar with the work and value of the Foundation.

Thirteen Week Period

Accounting and Finance

In the past, comparison of sales, earnings and expenses of one month in one year with the same month in preceding years has been difficult, because of the difference of operating days in the months compared. To obviate this, on January 4, 1931, your Company adopted a fiscal year beginning on that date, consisting of thirteen periods, of four weeks each. All our operations and reports in the future will be on the basis of periods instead of months.

Budgetary Control

On October 1, 1930, for the first time in the history of your Company, there went into operation, as a preliminary test, a system of budgetary control, under which all items of prospective operations for the various periods are estimated. Under such control, definitely effective January 4, 1931, each activity of the Company can be checked from week to week against the budget estimate. While budgetary control in your Company is in its infancy, it has already proved its value.

Accounting System and Reports

The management found it necessary, during 1930, to report to you adjustments amounting to \$1,284,294.00 net. During the last nine months the accounting system and to an extent the personnel of the Accounting Department has been completely reorganized, and new and accurate systems installed. The Consolidated Income Account herewith reveals marked departure from former methods of reporting Cost of Sales and Operating Expenses. With the various checks on the Accounting Department recently established, shareholders can be assured in the future that the figures submitted to them are accurate and trustworthy.

Depreciation

During 1930, we have absorbed out of earnings and charged to depreciation the sum of \$3,192,819.84 which is \$1,332,559.64 more than was absorbed and charged in 1929, about 20% of which increase is due to increase in amount of fixed assets. This policy, involving application of higher rates, has been followed throughout the year. It was adopted out of abundant caution and was intended to absorb possible depreciation deficiencies of past years, which could not be accurately determined except by the expenditure of an unwarranted amount of time and money.

Unusual Expense in 1930

The expense incident to change in our Auditing and Accounting systems, establishment of budgetary control, decentralization and reorganization in general, including temporary loss of efficiency has been large and for the most part should be non-recurrent.

Federal Income Tax Recoveries

As a result of the adjustments in earnings of previous years, reported on April 23 and September 2, 1930, claims for abatement have been allowed amounting to \$215,218.19 and added to earned surplus.

Cash Position

On December 31, 1929, your Company had cash amounting to \$7,516,136. On January 3, 1931, it had cash amounting to \$6,587,755.91. The cash position of your Company has been affected principally by the redemption of securities of subsidiaries amounting to \$484,000 and by refunds to employees of part payment under stock purchase contract of \$1,184,000.

Bank Loans

On April 1, 1930, our bank loans amounted to \$4,000,000. On January 3, 1931, our bank loans amounted to \$100,000 which, on the date of this report has been paid.

Inventories

On December 31, 1929, inventories amounted to \$22,080,580.62. On April 1, 1930, inventories amounted to \$25,130,469.45. On January 3, 1931, inventories amounted to \$19,937,671.61.

Earnings

Report was made to you on September 2, 1930, for the first half of 1930, of an operating loss of \$76,890.62, against which there was an offset of accrued earnings of affiliated company of \$341,492.28 resulting in net earnings of \$264,601.65, or \$.1228 a share on the 1,795,536 6/20 shares of common stock outstanding on June 30, 1930, after providing for preferred dividends. No increase in the number of shares outstanding has been made during the last half of 1930, except that caused by the distribution of stock dividend of 1% in October, 1930.

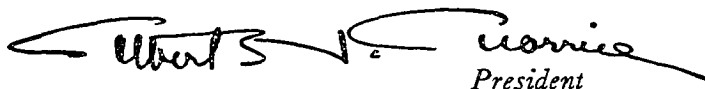
The attached consolidated income account, as of January 3, 1931, shows a net operating profit of \$1,505,580.08 to which there is added accrued earnings of affiliated companies of \$662,667.40 resulting in net earnings for the year 1930 of \$2,168,247.48 or \$1.1491 per share on the 1,813,486 6/20 shares of common stock outstanding after providing for preferred dividends.

No report to the shareholders for the year 1930 will be complete if it omits a reference to the Board of Directors, the officials and the executive and general personnel of the Company. During a period of wide and serious economic depression, after an almost complete change of officials, during distressing adjustments of financial statements, when radical changes of policies and discarding of traditional methods were being accomplished, the personnel of the Kroger Company, consisting of over 20,000 individuals, showed adaptability, intelligence, courage and loyalty, which under the conditions was as remarkable as it was admirable.

I join with every other shareholder in expressing appreciation and gratitude for the splendid spirit of our personnel.

We wish to keep in as close touch as possible with our shareholders. We welcome suggestions, communications and inquiries.

Respectfully submitted,


President

THE KROGER GROCERY AND BAKING CO CONSOLIDATED BALANCE

ASSETS:	
CURRENT:	
Cash in banks and on hand.....	\$ 6,587,755.91
Accounts and notes receivable, net of allowance for those doubtful of collection:	
Customers.....	\$ 777,960.51
Employees.....	106,510.98
Claims, advances, etc.....	328,431.61
	<hr/> 1,212,903.10
Inventories of merchandise, at cost or market, whichever the lower.....	19,937,671.61
Cash surrender value of life insurance.....	23,296.70
Prepaid insurance, rent, taxes, etc.....	754,767.68
Accrued accounts receivable not due.....	245,719.46
	<hr/>
TOTAL CURRENT ASSETS.....	28,762,114.46
Investments at ledger value:	
Stock of affiliated company, not included in consolidation.....	7,654,498.65
Other stocks, bonds, mortgage notes and accrued interest	297,327.93
	<hr/>
	7,951,826.58
Common stock of Company purchased and held by trustee for sale to employees (28,850 shares)	251,719.91
Land, buildings and equipment, and leasehold im- provements at ledger values, net of allowance for depreciation.....	23,313,235.34
Store and general supplies and deferred charges to future operations.....	501,664.15
	<hr/>
	<u><u>\$60,780,560.44</u></u>

*We have audited the accounts of The Kroger Gro-
panies for the period from January 1, 1930 to Janua-
the accompanying balance sheet and surplus and in-
position of the consolidated companies at January 3,
fiscal period ended that date.*

Lybrand, Ross Br

NG COMPANY AND SUBSIDIARY COMPANIES ANCE SHEET, JANUARY 3, 1931

LIABILITIES

CURRENT:

Notes Payable:

Banks.....	\$ 100,000.00
Affiliated company	800,000.00
Other notes and acceptances.....	37,485.67

Accounts payable, vendors, etc.....	\$ 937,485.67
Accrued expenses, taxes, etc.....	6,260,123.58
Provisions for Federal income taxes.....	1,016,513.74
Dividends payable.....	242,696.88
Employees deposits on subscriptions to unissued common stock.....	1,943.09
	719,834.16

TOTAL CURRENT LIABILITIES.

	9,178,597.12
Funded debt, subsidiary companies	678,500.00
Preferred stocks of subsidiary companies.....	1,001,500.00
Reserves for uninsured losses, etc.....	634,038.49

11,492,635.61

CAPITAL AND SURPLUS:

Preferred capital stock:

First preferred 6 pct. par \$100 outstanding.....	\$81,400.00
Second preferred, 7 pct. par \$100 outstanding.....	62,100.00

143,500.00

Common capital stock without par value:

(Authorized 3,000,000 shares)	Shares
Issued.....	1,830,878 6/20
Less in treasury.....	17,392

Outstanding.....	1,813,486 6/20	32,963,276.30
Paid in surplus.....		1,094,961.69
Earned surplus as annexed		15,086,186.84

49,287,924.83

\$60,780,560.44

*Kroger Grocery and Baking Company and subsidiary com-
to January 3, 1931, and we certify that in our opinion
plus and income accounts set forth correctly the financial
January 3, 1931, and the results of their operations for the*

*d, Ross Bros. & Montgomery, Accountants and Auditors
February 7, 1931*

**The Kroger Grocery and Baking Company
and Subsidiary Companies**

CONSOLIDATED EARNED SURPLUS

For the period from January 1, 1930 to January 3, 1931

Earned surplus, January 1, 1930, as reported.....	\$14,980,524.40
Add:	
Federal income taxes applicable to prior periods	\$215,218.19
Unexpended surplus appropriated for stock dividend.....	15,772.54
	<hr/> \$230,990.73
Deduct:	
Deficits of subsidiary companies	
January 1, 1930.....	\$56,037.51
Sundry surplus charges applicable to prior periods.....	57,513.41
	<hr/> 113,550.92
	<hr/> 117,439.81
Adjusted surplus, January 1, 1930.....	✓ 15,097,964.21
Profit for the fiscal period.....	2,168,247.48
	<hr/> 17,266,211.69
Cash dividends paid or payable.....	1,882,165.78
✓ Disbursements incident to the payment to stockholders of cash in lieu of certificates for fractional shares of dividend stock, losses incurred in settlement of litigation, and sundry surplus charges.....	97,859.07 ✓
✓ Reserve for rent losses, acquired by purchase of other chains in former years and since closed due to duplication.....	200,000.00 ✓
	<hr/> 2,180,024.85
	<hr/> <u><u>\$15,086,186.84</u></u>

The Kroger Grocery and Baking Company
and Subsidiary Companies

CONSOLIDATED INCOME ACCOUNT

For the period from January 1, 1930 to January 3, 1931

Net sales.....	\$267,094,345.26
Cost of sales	208,198,837.28
	<hr/>
	58,895,507.98
Operating expenses.....	\$52,306,000.25
Administration expenses.. ..	1,604,924.77
	<hr/>
	53,910,925.02
Profit from operations before allowance for depreciation	4,984,582.96
Net accrued earnings of subsidiary companies for the fiscal year.....	662,667.40
	<hr/>
	5,647,250.36
Allowance for depreciation.. ..	3,192,819.84
	<hr/>
Profit before interest and Federal taxes.....	2,454,430.52
Interest paid net.....	60,183.04
	<hr/>
	2,394,247.48
Federal income tax, estimated... ..	226,000.00
	<hr/>
Net profit for period.....	<u>2,168,247.48</u>

WILLIAM M LYBRAND
T EDWARD ROSS
ROBERT M MONTGOMERY
JOSEPH M PUGH
WALTER A STAUB
H N DUMBRILLE
JOHN HOOD JR
WALTER S GEE
WOMER N SWEET
T B G HENDERSON
GEORGE R KEAST
PRION SINCLAIR

A CHARLES GUY
MANAGER

LYBRAND ROSS BROS. & MONTGOMERY

ACCOUNTANTS AND AUDITORS

UNION CENTRAL BUILDING
THREE WEST FOURTH STREET
CINCINNATI

NEW YORK
PHILADELPHIA
CHICAGO
BOSTON
NEWARK
BALTIMORE
WASHINGTON
PITTSBURGH
DETROIT
CLEVELAND
CINCINNATI
SAN FRANCISCO
LOS ANGELES
SEATTLE
PORTLAND

LONDON
PARIS
BERLIN

February 3, 1931.

Mr. Albert H. Morrill, President,
The Kroger Grocery & Baking Company,
Seventh and Walnut Streets,
Cincinnati, Ohio.

Dear Sir:

In connection with the audit of the accounts of your company for the fiscal year 1930 we would inform you of the progress made in developing sound accounting methods and procedure throughout your organization.

We have been in constant touch with all of the accounting divisions during the year 1930 and have observed marked and continuous improvement in the accounting in all of its branches.

In our opinion a firm foundation has been laid for the establishment of a thoroughly reliable system of accounting control for the assets and operations of your company.

The future normal development of personnel and procedure, obtainable through constant attention to routine matters and the refinement of methods, will undoubtedly bring about increased efficiency in the preparation of records and reports and make readily available accurate information concerning all phases of the business.

Very truly yours,

Lybrand Ross Bros Montgomery

ACG:ir

THE RALPH H. JONES COMPANY
ADVERTISING

CINCINNATI • NEW YORK • CLEVELAND

431 Main Street
Cincinnati

January 27, 1931

Mr. Albert H. Morrill,
President,
The Kroger Grocery & Baking Company,
Cincinnati, Ohio

Dear Mr. Morrill:

We are glad to give you a brief summary of accomplishments in the Research and Advertising Departments of The Kroger Grocery & Baking Company.

The Kroger Research Department undoubtedly has a broader vision of its opportunities and responsibilities. There is evidence of this in both the planning and the execution of current work.

The Research Department is giving more thought to problems of a vital character, and is showing marked ability in the use of methods for getting important facts with the greatest economy.

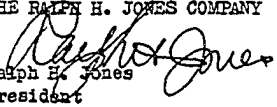
We believe that during 1931, the Kroger Research Department will give a good account of itself, supplying information upon which can be based successful plans for greater profits.

We believe that Kroger advertising is now twelve months ahead of the advertising of any other grocery chain. Instead of following competitors in a price war, Kroger advertising is now leading the fight for better merchandise and Public Confidence.

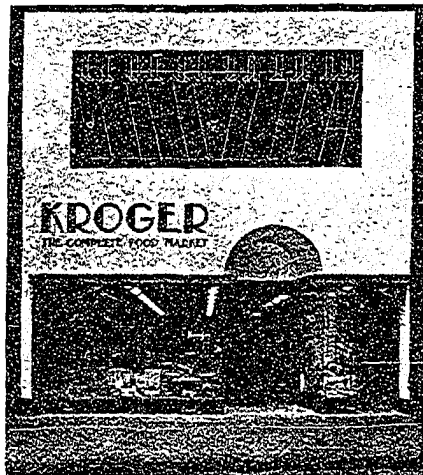
To our way of thinking, your decision to use part of Kroger advertising funds in the upbuilding of Confidence, will be referred to in the future as an outstanding contribution to larger and continuing profits.

Yours very truly,

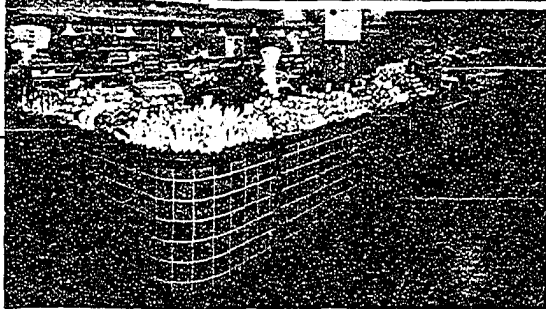
THE RALPH H. JONES COMPANY


Ralph H. Jones
President

B



The new Kroger store on Government Square in Cincinnati, built during the past year. Planned by the Research Department of the Company, it represents the most modern developments in food merchandising, and has attracted wide attention throughout the industry.



An interior view of the Kroger Government Square store in Cincinnati, showing the various departments. Note, also, the lunch counter, an innovation in grocery stores, and a feature popular with customers.

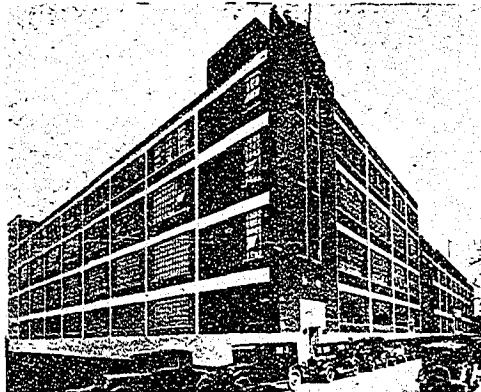
In several Sears, Roebuck stores, Kroger grocery and meat departments were installed during 1930. The picture shows one of these units. In the center is the conveniently located produce department.



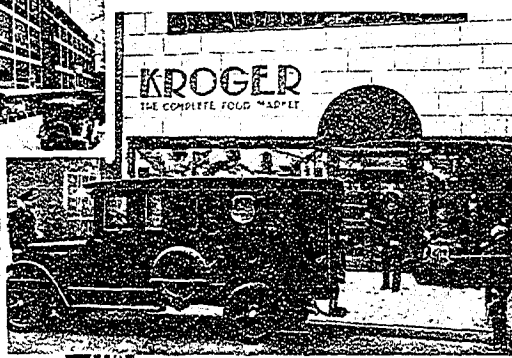
In practically all Branches, Kroger owned Piggly Wiggly stores are operated. The picture above shows the front of one of these self-service stores that are favored by many food buyers. A factory equipped to build store equipment is likewise maintained by Kroger.



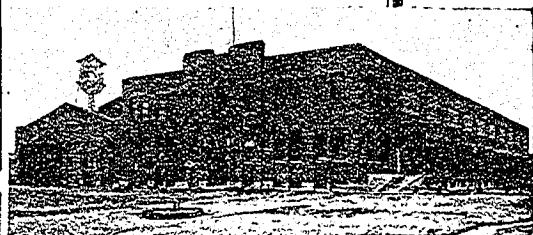
A typical new Kroger unit. The well-lighted interior and attractive windows are characteristic of present-day stores.



A Kroger warehouse, characteristic of Branch headquarters for various territories. Branch offices and production units, as well as warehousing facilities, are generally located in these units.



To insure safe keeping of the day's receipts in the stores, safes are being installed in every unit. Collections will be made by armored trucks such as the one shown to the right above.



The recently completed Kroger Produce Terminal in Detroit, Michigan. This unit houses the largest banana ripening operations in the world.

Indianapolis Branch warehouse, a modern unit in every respect, dedicated with a celebration attended by thousands.



From Branch warehouses, merchandise is delivered to stores by truck. The picture above shows a modern economical truck and trailer unit.



Among the most important of all Kroger operations are production activities. Bread, cakes and other bakery goods, candy, meats, coffee, tea and many other items are prepared in Kroger factories, bakeries and packing plants. Here is seen a high-speed dough mixer, capable of mixing many hundreds of pounds of dough every day.

JAMES O. MCKINSEY AND COMPANY

BOARD OF TRADE BUILDING
CHICAGO

January 10, 1931.

Mr. Albert H. Morrill, President
Kroger Grocery and Baking Company,
Cincinnati, Ohio.

Dear Mr. Morrill:

During the past six months I have had an opportunity to observe various changes in management which have been made in your Company. I think the most important improvements which have been made since your election as President can be summarized as follows:

1. The morale of the organization has been greatly improved. I have detected a very great change during the last few months in the attitude of these employees. They now have a real loyalty for the Company and have full confidence in the Management.

2. You have worked out an organization for your Company which is in harmony with modern tendencies and have clearly defined the responsibilities of your various executives, which I think will promote cooperation among those in positions of responsibility.

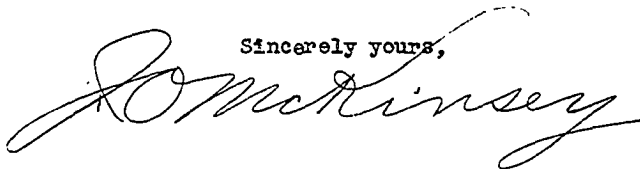
3. You have improved the personnel of your organization to a very considerable degree in two ways:

4. You have established efficient methods of controlling your activities. Most important of these is the budget plan which becomes effective as of January first. I am sure your budget program will give you an effective means of guiding and controlling the activities of the Company as a whole, so that all members of the organization can work together in the carrying out of a definite, well coordinated program.

5. You have established better methods and procedures for the performance of activities and this will promote efficiency and economy. For example, your accounting methods have been entirely revised so that you may have effective control over your activities and accurate information for the use of executives.

I feel sure that a continuation of the program on which you have been working during the past few months will bring very decided benefits to your Company during the year 1931.

Sincerely yours,



JOM-R